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Earned Income Tax Credit benefits Virginians and state economy

EITC is nation's largest poverty-fighting program; federal money often reinvested in local businesses

Richmond, Va. – Many low-to-middle income working families and individuals may qualify for the Earned Income Tax Credit (EITC), which can amount to a cash refund of up to \$4,716. These same people may also qualify to have their 2007 income tax returns prepared for free. Virginia could see more than \$1 billion per year in federal EITC money if everyone who qualified took advantage of the credit.

Governor Timothy Kaine has proclaimed January 31 as Earned Income Tax Credit Kickoff Day. Future events are planned to raise public awareness.

Important facts:

- **Benefits to recipients:**
 - **Helps the working poor:** The EITC is the largest poverty-fighting program in the country.
Source: The Brookings Institute
 - **EITC for the middle class:** Credit is for middle-income, as well as low-income households. For example, if you have worked in the past year, including self-employment, and have earned less than \$39,783 (if married filing jointly) with more than one qualifying child, you may be eligible.
Source: Internal Revenue Service (IRS)
 - **Helping many Virginians:** In tax year 2005, 478,365 Virginia households benefited from EITC; the average credit amount was \$1,834 per household.
Source: IRS
 - **Free tax preparation:** Those who are eligible for the EITC also qualify to have their taxes prepared for free at numerous sites throughout Virginia, including many local social services offices. The free tax preparation can mean hundreds of dollars in savings for people who are already struggling to make ends meet.
Source: IRS
 - **Improves quality of life:** For many Virginians, EITC often eases their financial strains and can help them better provide for basic needs. The free tax preparation services allow people to save their hard-earned money to use for other necessities.

- **Benefits to all Virginians:**

- **No cost to tax payers:** The EITC is 100% federally funded and costs Virginia tax payers nothing.
Source: IRS
- **Good for the economy:** Since it is federally funded, the EITC actually brings money into Virginia. Dollars returned to Virginia workers are typically reinvested into local economies. The most common uses of EITC refunds include medical care, dental work and much-needed car repairs. Recipients generally use Virginia businesses for these services, which benefits localities and their residents by stimulating the local economy. Recipients often use their refunds to either purchase or repair a car to enable them to get a better job. Doing so may allow them to break out of poverty and become more productive citizens.
Source: The Brookings Institute and the Center for Budget and Policy Priorities
- **Bringing money into Virginia:** In tax year 2005, Virginians received \$877,336,397 in EITC refunds.
Source: IRS

- Educating the public:

- **Large percentage qualifies but doesn't know:** Up to 22 percent of qualifying Virginia households (between 91,200 and 114,000 households) don't take advantage of the credit. These working households may be eligible for an additional projected amount of between \$167,260,800 and \$209,067,000. If all qualifying households took advantage of the EITC, Virginia would top the \$1 billion mark for this federal refund.
Source: The Brookings Institute and IRS
- **If you don't file, you don't get the credit:** In order to receive the EITC, you must file a federal income tax return, even if you think your earnings are not high enough to require filing.
Source: IRS
- **Ask about the credit:** Volunteers at the free tax preparations sites are trained to look for eligible EITC households. However, if you choose a professional tax preparation service, be sure to ask if you qualify for EITC.
- **How to find a free tax preparation site:** For more information, visit www.dss.virginia.gov. To find a free tax preparation site near you, call 1-800-906-9887.

Audio clips:



- :32, Loren Johnson, Greater Richmond EITC Coalition
Explains what EITC is and who qualifies



- :22, Carolyn Spohrer, Virginia Community Action Partnership and volunteer tax preparer
Explains that many who qualify don't take advantage of the credit



- :25, Peggy Friedenberg, Virginia Department of Social Services' EITC Program Manager
Explains how EITC can help working families



- 1:28; Maureen Goode, Henrico Department of Social Services and Greater Richmond EITC Coalition chair
Explains the benefits of using a free tax preparation site

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Editor's note: Additional Interviews are available upon request. For additional story ideas and information, contact Carla Harris, VDSS, (804) 726-7107 or carla.harris@dss.virginia.gov.